“Fair prices, fair profits and fair shares”: what we can learn from feeding the British, 1939-54

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Price control is back. Why now?
The 2007-8 world food price crisis reversed secular trend of falling food prices...

1960-2011 (2000=100)
Source: World Bank (2011)
…prompting social unrest

...but rationing has yet to return.
Question: Can price control work?

Answer: No, never

- Creates shortages
- Reduces supplies
- Increases bureaucracy and red tape
- Generates black markets

N.B. - This is the standard line that economists like Milton Friedman use to attack the introduction of price control (e.g. China (Nov. 2010) and Ethiopia (Jan. 2011).
Question: Can price control work?

Answer: Yes, but not on its own

- Control import, producer, and wholesale prices as well as retail prices
- Price subsidies to incentivize suppliers
- Rationing of essential foods

N.B. – These are the lessons of the war economy drawn by price fixers such as Kenneth Galbraith (US OPA) and Brian Reddaway (UK BoT).
People on both sides of the argument mistake what is an essentially a law-and-order issue (securing compliance) for an economic one. The real question is why should people obey the law that goes against their self-interest narrowly defined. This is the ‘lesson’ I draw from the history of British food control during WW2.
FOOD CHART

GROUP 1

BUILDING

BODY BUILDING FOODS

- MILK
- CHEESE
- EGGS
- MEAT
- FISH

Build the body and prevent the tissues wearing out.

GROUP 2

ENERGY

ENERGY FOODS

- MARGARINE
- DRIPPING
- SUET
- LARD
- BACON
- HAM

GROUP 3

PROTECTIVE

PROTECTIVE FOODS

- POTATOES
- CARROTS
- FRUIT
- GREEN VEGETABLES
- SALADS
- TOMATOES
- WHOLEMEAL BREAD
- BROWN BREAD

GROUP 4

FOOD FACTS

NO. 46

Protective foods are needed for proper nourishment. They build the teeth and bones and help the body to resist infection.

EAT SOMETHING FROM EACH GROUP EVERY DAY
The economic case – there is one

- Anticipating a German naval blockade, the British had to economize on shipping space and foreign currency.
- Dependence on food imports had to be reduced by increasing domestic food production and, if necessary, reducing civilian food consumption.
- Judging by British experience of the First World War, leaving this to the operation of the free market would have increased food and nutritional inequalities with dire consequences for the war effort.
- Indirect economic controls (e.g. taxation and forced savings) could not guarantee that adequate and affordable supplies would reach those who needed them – only direct controls could achieve this within a short time frame.
- Having determined the minimum standard of living necessary to maintain the health and morale of the population, the British government introduced direct controls to secure adequate and affordable food supplies.
Feeding the people in wartime

- Fixed maximum prices for ‘semi-essential’ and ‘non-essential’ foodstuffs
- Partial rationing of ‘essential’ foodstuffs by coupon
  - Straight/specific rationing
  - Group rations
  (By 1943 the League of Nations estimated that Britons received 50% of calorific requirements from rationed foods.)
- Priority/quasi rationing of ‘protective’ foods targeting vulnerable groups and programme of fortification
- Communal feeding in canteens and ‘British restaurants’ avoided differential rationing

Lord Woolton, Minister of Food, 1940-3
‘...starve with Strachey’ in peacetime

- The objective of postwar food control remained the same: to minimize food imports whilst ensuring ‘fair shares for all’
- But the aims of food policy were different: to economize on US dollars and avoid an inflationary postwar boom
- Briefly food rationing expanded to cover potatoes and bread – ‘buffers’ or ‘fillers’ left unrationed during the war
- Introduced extra meat ration for underground coal miners
- Labour gave serious consideration to making food control permanent; the 1947 Agriculture Act was a step in this direction
- Decontrol began slowly in 1948, but gathered pace under the Churchill’s Conservative Government of 1951-4.
Effects of control

Intended effects
• Shipping space and foreign currency saved
• Secured an adequate and healthy diet:
  – Increased consumption of fortified (brown) bread, milk and potatoes
  – Reduced consumption of butter and fats, sugar, meat, bacon, fish, fruit and fresh eggs.
BUT it was dull and monotonous – the subject of persistent grumbles
• Evasion limited – illicit retail markets were isolated and fragmented
• Inflation and resultant social unrest and economic dislocation avoided

Unintended effects
• Food and nutritional inequalities permanently reduced
• Maternal and infant mortality rates fell
• Child health and physique improved
Why did it work?

Opportunities for evasion minimized and excess demand limited due to comparative advantages:

• Nature of the economy (imports, farm size, customary pricing)
• Nature of the state (strong, central, legitimate)
• Structure of control (price control + rationing, vertical and horizontal integration)
• Supply situation (comparatively shortages were not severe)
So far so economic, BUT price control and rationing can **always** be evaded. Civilians chose not to seize opportunities to evade or avoid the regulations. Why?
Answer: Fairness

• People accepted the need for *temporary* control due to historical precedent and trusted the government to administer it fairly.
• The legitimacy of controls was contingent on administration and outcomes being fair and being seen to be fair.
• The rhetoric of fairness came to frame public and private discussion.
• The unintended consequence of this was that people had to justify evading the regulations in terms of getting their ‘real’ fair share...and only some evasion could be justified in this way.
The lessons we’ve chosen not to learn

1. Price control can work, but not on its own.
2. Many of the reasons price control can work are not economic.
3. Compliance with regulation is as much, if not more, a social and political question as it is an economic one.
4. The economy isn’t a semi-autonomous let alone separate sphere.
5. We need to give proper attention to the ‘low’/’popular’ economic thought that shapes peoples economic lives.
‘...the public is always better at ethics, which are warm and real, than economics, which are cold and abstract’.

Barbara Wootton
Thank you for your attention